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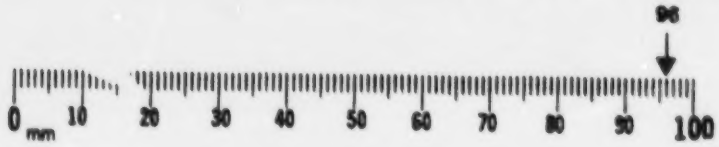

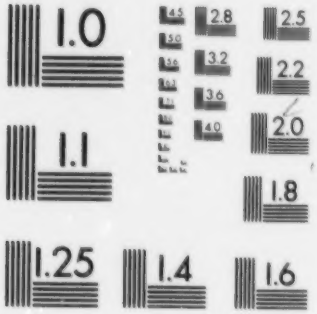

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Universities Academic Pension Plan Board

Annual Report
1987

Alberta

89-01660/

Alberta
UNIVERSITIES ACADEMIC PENSION PLAN BOARD
1203, Legislature Annex, 9718 - 107 Street, Edmonton, Alberta, Canada T5K 1E4 403/427 - 7105

August , 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

I have the honour to submit to you the second annual report of the Universities Academic Pension Plan Board for the period January 1, 1987 to December 31, 1987. The report outlines the role and responsibilities of the Universities Academic Pension Plan Board and the activities undertaken during the period under review.

Respectfully submitted,

J. E. Faries
Chairman

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Introduction

The calendar year 1987 is the second full year of operation of the Universities Academic Pension Plan Board, which was established effective November 1, 1985 under the Universities Academic Pension Plan Act.

The main responsibilities of the Board are to hear appeals of administrative decisions made on pensions, and to advise the Minister responsible for public service pensions on matters relating to the Plan.

The Honourable Dick Johnston, Provincial Treasurer, is the Minister responsible for public service pensions. The day-to-day administration of the Plan is conducted by Payroll and Pensions Division of Alberta Treasury.

In February 1987, the Minister met with the Board and the Boards of the five other government administered and guaranteed pension plans. Mr. Johnston discussed the funding and policy review of the plans being undertaken by his department. He invited advice from the Boards, and assured Board members that they will have an opportunity for response to any proposals which may be developed.

The Board

Members

The Act provides that the Board shall consist of not fewer than six persons appointed by the Lieutenant Governor in Council, being the chairman, representatives of the employers and academic staff associations, and one or more other persons. It is provided that an even number of not fewer than four and not more than ten persons will be appointed in equal proportions from among persons nominated by (i) the employers, and (ii) the academic staff associations of the employers.

During 1987 the Board was comprised of four representatives of the academic staff associations, four employer representatives, one member representing government's interest as guarantor of benefits under the plan, and the chairman.

Two members left the Board during 1987. Both members had also served under the former Board established under the Universities Academic Pension Act which was in effect prior to November 1985. Mr. J. Alan Rae represented the Board of Governors of the University of Lethbridge from April 1980 to his resignation effective June 30, 1987. Dr. L. Eberlein represented the University of Alberta Academic Staff Association from plan inception in 1978 to the expiry of his term on April 1, 1987. The Board acknowledges the excellent contribution of both to this Board and to the former Board.

Terms of remaining Board members with expiry date April 1,1987 were extended to April 1, 1991.

Brief biographies of the ten Board members as at December 31, 1987 are provided on the following page.

Universities Academic Pension Plan Board Members

as at December 31, 1987

J. E. Faries

Mr. Faries brings to the Board considerable background in pension policy and administration. He served over fifteen years as Director of the Pension Administration until December 31, 1979. Currently he holds several senior positions on other boards and community organizations. Mr. Faries is Chairman of the Board. His term of office expires April 1, 1988.

A. F. (Chip) Collins

Mr. Collins served as Deputy Provincial Treasurer from 1972 until his retirement in 1984. He brings to the Board extensive financial and administrative experience as well as senior public service experience. Mr. Collins, the government representative is Vice-Chairman of the Board. His term expires April 1, 1991.

R. D. Bercov

Dr. Bercov was appointed to the Board on August 21, 1987 to represent the Association of Academic Staff of the University of Alberta. Dr. Bercov was Associate Vice-President (Academic) for 1980-85 and Acting Dean of Science at the University of Alberta for the 86-87 year. He is currently Professor of Mathematics. His term expires April 1, 1991.

P. M. Clapp

Professor Clapp represents the Faculty Association of the University of Calgary, and was appointed to the Board October 2, 1986. Her background is in teaching and in Administration. She holds Masters' degrees in Educational Supervision from the University of Oregon and in Business Administration from the University of Calgary. Professor Clapp directs the Management Certificate program, and the Special Sessions at the University of Calgary. Her term expires April 1, 1988.

E. E. Falkenberg

Dr. Falkenberg represents the Faculty Members Association. Educated in Canada and the United States, he received his Bachelor of Education at the University of Alberta, his Master of Science at the University of Oregon and his Doctor of Education at the University of Montana. He is presently Professor of Education at the University of Lethbridge. His term expires April 1, 1991.

D. R. Franklin

Mr. Franklin has experience in private industry prior to joining the University of Calgary in 1964 to direct human resources. He has acted as consultant and management nominee on numerous arbitration boards in the public and private sectors. He is also actively involved in community events. His term expires April 1, 1991.

E. A. Hillman

Mr. Hillman was appointed to the Board October 8, 1987 to represent the Board of Governors, University of Lethbridge. He assumed the position of Vice President, Administration in August 1987 and has been with the University of Lethbridge since 1982. Educated in Manitoba, he has held a number of senior posts at the University of Manitoba and University of Calgary prior to coming to Lethbridge. His term expires April 1, 1988.

B. H. McDonald

Mr. McDonald represents the Board of Governors of the University of Alberta. He is presently Associate Vice-President, Academic Administration at the University, a position he has held since 1978. Prior to joining the University staff he was employed in the oil industry in Calgary. He holds a Bachelor of Commerce degree from the University of Saskatchewan and an MBA from the University of California. His term expires April 1, 1988.

N. Meier

Mr. Meier was appointed to the Board on October 2, 1986. Educated in United States, he specialized in Organizational Behaviour. He managed the Management Studies Programs for the Banff Centre's School of Management. Since 1980, he has held his current position as the Director, Personnel Services for the Banff Centre for Continuing Education. His term expires April 1, 1988.

I. Taylor

Dr. Taylor was appointed to the Board on October 2, 1986 for a term until April 1, 1988. He graduated from the University of Leeds in 1964 and in the same year commenced an M.A. program at the University of Toronto. In 1969 he was awarded a Canada Council Fellowship for Teachers. In 1973 he became Head of Social Sciences at the Athabasca University.

Responsibilities and Program Delivery

The Board's objects are to provide an avenue for redress of grievances against decisions by the Minister with respect to the administration of the pension plan, and to provide advice on all aspects of the pension plan to the Minister.

A support staff provides services to this Board and to the Boards of the five other government administered pension plans. Pension Appeal Officers provide assistance to persons preparing appeals.

Board members, except for the Chairman, serve on a part-time basis and do not receive remuneration for service on the Board. The Chairman also serves as chairman of the boards of the five other government administered pension plans.

To assist the Board in its advisory role, employees, employers, and interested groups are encouraged to express their views and concerns on policy issues to the Chairman or their representative Board members. Where appropriate, presentations on an issue may be made to the Board as a whole.

The Board met four times in the period under review. Board minutes are recorded but are not made public.

Applications and Appeals

Provisions in the Act

(i) Applications to Extend Time Limits, etc.

Where a person fails to meet a time limit under the Plan, and the failure affects his or her benefit entitlement, the Board may, on application to it, extend the time limit if satisfied that the failure results from circumstances that import no material fault on the part of that person.

Under certain conditions, when a benefit payment has commenced and a benefit choice would ordinarily be irrevocable, application may be made to the Board to change the benefit choice.

(ii) Appeals

A party aggrieved by a decision of the Minister in relation to participation, contributions, pensionable service, or benefits may ordinarily appeal against that decision to the Board.

A party wishing to appeal must serve the Chairman with a notice of appeal within 30 days of being notified in writing of the decision, or within such longer period as the Board may allow.

The Board may serve interested parties with the notice of appeal.

The Board may confirm, vacate or vary the decision appealed against.

The Board shall serve the parties to the appeal and interested parties with a copy of its decision, including reasons.

A party aggrieved by a decision of the Board may, within 30 days, appeal to the Court of Queen's Bench on a question of law or jurisdiction.

Provisions in Reciprocal Agreements

The Universities Academic Pension Plan has entered into reciprocal agreements with other pension authorities in Canada for the purpose of transferring pension credits on a reciprocal basis.

A reciprocal agreement is an agreement between two employers or pension administrators whereby, when a person leaves the service of an employer who is a party to an agreement to accept employment with another employer who is the other party to the agreement, authority is provided for the transfer of

both the employee and the employer contributions from the pension fund of the former employer to the pension fund of the new employer. As a result, the employee is able to have all or a prorated portion of his or her pensionable service under the former employer's plan credited under the pension plan of the new employer.

The following time limits generally apply; most agreements require that there not be a break in service between employers of more than three months, and application for transfer must normally be made within one year of commencing employment with the new employer.

Each agreement provides that the authority to extend time limits is provided to the "importing board". Under the transitional provisions, the subsisting reciprocal agreements entered into under the former Act are valid according to their terms until rescinded or varied by the Minister.

The former Board generally considered extensions to the three month time limit on breaks in service in cases where illness, educational leave, or public employment occurred in the break. Extensions of the one year time limit for application for transfer were considered where there was no proof that the individual knew of the deadline.

The current Board considers applications for extensions of time limits on the basis of "inherited authority". No such applications were made to the Board in 1987.

Procedure

A Notice of Appeal form, prescribed by the Minister, is normally provided with adverse administrative decisions. This form must be completed and submitted in filing an appeal and may also be used for applications for time limit extensions.

The brochure "Appeal Process - Guidelines for Members of Alberta Pension Plans" was developed by the Board and is available to a party preparing an appeal. Limited assistance to appellants is available from the Chairman's office. The individual may seek advice on what facts should be gathered and how they should be presented.

At its January 1987 meeting, the Board commenced the procedure of notifying the employer of the appellant or applicant upon receipt of the Notice of Appeal.

Though hearings are conducted in an informal manner, the Board adheres to the rules of natural justice.

Written evidence submitted by the appellant is provided in the form of a statutory declaration. This procedure allows the

Board to rely on the documentation without the necessity of placing the appellant under oath.

For the hearing of appeals and applications, four members, one of whom represents an employee group and one of whom represents an employer group, plus the Chairman, constitutes a quorum.

The parties to the appeal are normally advised of the Board's decision within 2 weeks of the hearing.

A rehearing may be held at the discretion of the Chairman, if the facts warrant.

The Board has authorized the Chairman to reimburse appellants and applicants appearing before the Board with reasonable travel and subsistence expenses. This ensures that all appellants and applicants have the opportunity to appear and present their case irrespective of their place of residence.

Applications and Appeals Decided in the Period Under Review

During the period under review, the Board decided on 6 appeals and applications. This compares to 23 applications and appeals decided by the Board in the previous fourteen month period; a number of which were filed prior to November 1, 1985 and heard by the Board in its capacity under the former Act.

A summary of cases decided is as follows:

Universities Academic Pension Plan Board
January 1, 1987 - December 31, 1987

Category	Number	% of Total	% Granted or Varied
Time Limit Extensions (Section 10)	2	33	0
Reciprocal Transfer	0	0	—
Appeals (Section 34)	4	67	50
Total	6	100	33

Parties aggrieved by a decision of the Board under Section 34 of the Act may appeal to the Court of Queen's Bench within 30 days on a question of law or jurisdiction. No such appeals were made in the period under review.

Selected Case Summaries

Summaries of selected cases decided by the Board in the period under review are provided on the following pages.

As well as illustrating the nature of applications and appeals heard by the Board, the summaries may provide some assistance to participants in developing their appeals, and may help employers to identify areas in which they can improve communications and administrative procedures.

Case Summary #1
Request for a Non-Standard
Optional Form of Pension
U87:11:04

Minister's Decision

The Minister denied the retiring participant's request for a joint life pension with a 15 year guarantee, which is an optional form not described in the Act. It was determined that the current pension options were adequate to meet the participant's circumstances, and suggested that he consider private arrangements to purchase term-life insurance to protect his child.

The legislation provides that the Minister may, on the application of the person entitled, allow that person to select a pension in an optional form not described in the Act, but that the Minister considers is best suited to the person's circumstances.

Appeal

The appellant asked that the Minister's decision be vacated, and that the Board order provision of the non-standard option.

He asked that the non-standard option be granted because it best suits his circumstances; he has a young child he wishes to protect in the event of death of he and his wife.

Board's Decision

In view of the appellant's unusual family circumstances, the Board granted the appeal.

Case Summary #2
Eligibility of Periods of
Education as Prior Service
U87:09:05

Minister's Decision

The Minister denied the participant's request to purchase as prior service two periods (1964-65 and 1969-70) during which he was attending University full-time. The participant had been a teacher participating in the Teachers' Retirement Fund (TRF) before and after the breaks in service. He ceased being a contributor to TRF in 1971. In 1976 the participant became employed at an Alberta University and subsequently transferred his pensionable service under TRF to the Universities Academic Pension Plan under the reciprocal agreement.

The reasons for denial by the Minister were as follows:

(i) Periods of education are not eligible for purchase as prior service. (Note however, that periods of educational leave granted by an employer under the plan may be purchased provided application occurs in the applicable time limits).

(ii) The reciprocal agreement provides that pensionable service standing to the credit of the member under the exporting Board may be transferred. As the periods of education were not pensionable under TRF at the date of transfer, they are not now eligible for transfer.

Appeal

The appellant alleged that the period of education could have been purchased as prior service under TRF. It was only because of unawareness of the rules, both with respect to TRF service and Universities Academic Pension Plan service, that he had not purchased this service before transfer to the Universities Academic Pension Plan.

A secondary reason for the appeal was that the educational upgrading was integral to his functioning as an educator, therefore should be pensionable for reasons of fairness.

Board's Decision

The Board upheld the Minister's decision for the reasons listed.

Chairman's Comment

TRF has subsequently confirmed that the periods of education could not have been made pensionable under TRF, as the bylaw permitting such purchase was passed after the appellant ceased to be a contributor under TRF.

Advisory Function

Provisions

The Act provides that the Board may advise the Minister respecting any matters relating to the Plan, including

(a) the adequacy of contributions to meet benefits;
(b) adjustments to pensions for the purpose of maintaining approximate parity with the cost of living;
(c) rates of interest for the purpose of the plan;
(d) benefits;
(e) reciprocal agreements;
(f) recognition of prior service;
(g) eligibility and participation in the plan, and
(h) the actuarial tables to be prescribed.

Board's Recommendations

The Minister's policy and funding review of the government administered pension plans continued through 1987. During the year, the Universities Academic Pension Plan Board made the following recommendations to aid the Minister.

Recognition and Cost of Prior Service

After reviewing the eligibility and costing basis for prior service, the Board made recommendations to the Minister in April 1987. The major recommendations were as follows:

(i) that certain types of service recognized under the plan become ineligible for purchase after a transitional period. It was specifically recommended that service with an out-of-province public body which is currently eligible, become ineligible for purchase as prior service;

(ii) that the cost of reinstating service for which a refund was previously received be based on current salary;

(iii) that portability between Alberta public plans be reviewed before changes are made to recognition of contributory prior service under another Alberta Plan;

(iv) that commuted value amounts transferable under pension reform legislation be held in the individual's RRSP rather than being permitted into the plan;

(v) that on inclusion of a new employer into the plan, the cost of prior service of the employees be identified. It is recommended that prior service with the employer before plan entry be eligible under the plan on a fiscally responsible basis; and

(vi) that the minimum monthly prior service payment be increased, prompt application be encouraged and a market amortization rate of interest apply.

The Minister responded by stating that prior service provisions under the plan may be too extensive and need to be re-examined. He indicated he would contact the Board once he has developed proposals on the subject in greater detail.

Actuarial Assumptions

In reviewing the actuarial valuation of the plan, the Board was concerned that the actuarial assumptions and method, when used in combination, is overly conservative when used to establish the current service cost required to fund benefits. Advice received from an actuarial consulting firm confirmed this view.

Therefore, the Board recommended to the Minister in October 1987 that an actuarial valuation of the plan be conducted, with input from the Board, using less conservative assumptions and method.

Pension Reform

Pension reform legislation came into effect January 1, 1987 for Alberta private pension plans and for federally regulated plans.

The Board reviewed the Universities Academic Pension Plan in light of pension reform requirements. It was not recommended that all pension reform minimums be implemented, rather that the plan conform 'in spirit' to the pension reform legislation. The recommended changes will have minimal cost. The Board's recommendations made in November 1987 were as follows:

(a) Eligibility for Participation

(i) Employer discretion in enrolling part time continuous employees, who meet the minimum standards for participation should be removed.

(ii) Participation should be made compulsory for eligible part time continuous employees.

(iii) The participation requirement for part time continuous employees shall be that hours are at least 1/3 of full time hours.

(iv) Part time non-continuous employees are to remain excluded from participation.

(v) Eligibility of full time non-continuous employees shall be as currently prescribed, i.e. pursuant to the employer's established policy.

(b) Vesting

(i) Vesting of the accrued pension should remain at 10 years of pensionable service, as employer contributions are vested immediately.

(ii) For part time employment; vesting of the accrued pension, eligibility for retirement and eligibility for pre-retirement death benefits should be based on years of participation rather than pensionable service.

(c) Locking-in

(i) The option of refund of employee contributions only on termination of employment provided under Section 29(a) of the Act should be removed.

(ii) Employee and employer contributions transferred pursuant to Section 29(c) of the Act should be locked-in. Transfer vehicles should be

- a locked-in RRSP,
- another registered pension plan, if that plan so provides, or
- an insurance company to purchase a deferred life annuity.

(iii) The surviving spouse on the pre-retirement death of a vested participant should either receive a pension or transfer the locked-in amount to a transfer vehicle.

(iv) In the administration of the locking-in provisions, provisions should parallel those under the Employment Pension Plans Act.

Cost of Living Adjustment to Pensions

Currently cost of living adjustment (COLA) to pensions and deferred pensions are granted on an ad hoc basis by the government. In December 1987 the Board recommended that COLA of 3.3% be granted effective January 1, 1988. The recommended adjustment was equal to approximately 75% of inflation. The actual adjustment was 2.5%.

Appendix A
Excerpts from the Act

The following excerpts of the Universities Academic Pension Plan Act define the make-up and responsibilities of the Universities Academic Pension Plan Board.

Establishment, composition, term of office, etc.

5 (1) There is hereby established a board known as the Universities Academic Pension Plan Board.

(2) The Board shall consist of not fewer than 6 persons appointed members of the Board by the Lieutenant Governor in Council, being

(a) the chairman,

(b) an even number of not fewer than 4 and not more than 10 persons appointed in equal proportions from among persons nominated by

(i) the employers, and

(ii) the academic staff associations of the employers, and

(c) 1 or more other persons.

(3) A member of the board holds office for the term fixed in relation to him by the Lieutenant Governor in Council.

(4) The Minister may prescribe the remuneration and expenses to be paid to members of the Board.

(5) The Board may make rules respecting the calling of and the conduct of business at its meeting.

Chairman and Vice -Chairman

6 (1) The Lieutenant Governor in Council shall designate one of the members of the Board to be the chairman and another member to be the vice-chairman of the Board.

(2) The vice-chairman shall act as chairman when the office of chairman is vacant and when the chairman is absent or unable to act.

Support Services

7 The Minister shall provide such supplies, services and accommodation as he considers necessary to enable the Board to fulfil its objects.

Objects of the Board

8 The objects of the Board are

(a) to conduct the hearing of appeals under Part 6; [Appeals]

(b) to provide advice to the Minister under section 9;

(c) where appropriate, to extend time limits and treat benefit choices as revoked under section 10;

(d) to exercise and perform any other powers and duties assigned to it by this Act and the regulations;

(e) to perform any other duties relating to the Plan that are assigned to it by the Minister.

Advisory functions of the Board

9 The Board may advise the Minister respecting any matters relating to the Plan, including

(a) the adequacy of contributions to meet benefits,

(b) adjustments to pensions under section 27,

(c) rates of interest for the purposes of the Plan,

(d) benefits,

(e) reciprocal agreements,
(f) recognition of prior service,
(g) eligibility and participation in the Plan, and
(h) the actuarial tables prescribed or to be prescribed by the Minister.

Board's power to extend time limits, etc.

10(1) Where

(a) a person fails to meet a time limit under the Plan,

(b) the failure will or could result in a person's obtaining different benefits than those he would have obtained had the time limit been met, and

(c) the Board is satisfied that the failure results from circumstances that import no material fault on the part of that person,

the Board may, on application to it, extend the time limit.

(2) Where

(a) the circumstances set out in subsection (1)(a), (b) and (c) apply,

(b) the benefit has been received or has commenced to be paid, and

(c) the Board is satisfied that a choice, including a deemed choice, that would otherwise be irrevocable under section 39(2) could materially prejudice the best interests of the recipient or his dependants,

the Board may, on application to it, treat that choice as revoked, extend the time limit for making the choice and order any consequential adjustments in the benefits.

(3) Where

(a) a benefit choice has been made, and

(b) the Board is satisfied that

(i) the choice communicated to the Minister was not that which the person making the choice actually intended, and

(ii) the application mentioned in this section does not result from a change in a person's circumstances affecting the choice,

the Board may, on application made to it within 3 months from the date when the benefit was received or commenced to be paid, treat the choice as revoked, substitute for it the choice that, in the Board's opinion, the person originally intended to make and order any consequential adjustments in the benefits.

Appeal to the Board

35(1) A party aggrieved by a decision of the Minister under or in relation to Parts 2 to 5 [Participation, Contributions, Pensionable Service, Benefits] or the prescribed provisions of the regulations, other than a decision under section 31 [i.e. the entering into and terms of reciprocal agreements] or one that could be the subject matter of an application under section 10, may appeal against that decision to the Board.

(2) A party wishing to appeal to the Board under this section must serve the chairman of the Board with a notice of appeal in the form prescribed by the Minister within 30 days of being notified in writing of the decision appealed against or within such longer period as the Board may, on application, allow.

(3) The notice of appeal must specify the decision appealed against and the grounds of appeal.

(4) The Board may identify persons who may be interested in the appeal and may give directions as to the persons to be served with the notice of appeal, whether or not they are parties.

(5) For the purposes of conducting an appeal under this section, the Board

(a) has all of the duties, powers, privileges and immunities given to a commissioner appointed under the Public Inquiries Act by sections 3, 4, 7 and 9 of that Act, and

(b) shall be deemed to be a person for the purposes of section 1(a) of the Administrative Procedures Act.

(6) The Board may confirm, vacate or vary the decision appealed against.

(7) The Board shall serve the appellant and persons who received a notice of appeal with a copy of its decision, including the reasons for the decision.

Appeal to Court of Queen's Bench

35 (1) A party aggrieved by a decision of the Board under section 34 may, within 30 days of the date of service of the Board's decision on him or such longer period as the Court may allow, appeal to the Court of Queen's Bench on a question of law or jurisdiction.

(2) The procedure in an appeal to the Court of Queen's Bench shall be the same as that provided in the Alberta Rules of Court for applications by originating notice.

(3) The Court of Queen's Bench, on hearing the appeal, may confirm, vacate or vary the decision of the Board or make any order it considers just.

Appendix B
Overview of the Plan

Plan Provisions

The terms of the plan are as specified in the Universities Academic Pension Plan Act. The Plan is a contributory defined benefit plan with payment of all benefits guaranteed by the Government of Alberta. Employees are required to make current service contributions at 6% of salary, and employers at 7% of each participant's salary.

Pension benefits are based on two percent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. The normal form of a pension is for the life of the member with a 15 year guarantee period. Optional forms of pension on an actuarial equivalent basis are available.

If the member has a spouse, unless a waiver is signed by the spouse, a joint life pension with at least 2/3 continuing to the surviving spouse will be payable. Such joint life pension will be actuarially equivalent to the normal form of pension. Cost of living adjustments (COLA) to pensions may be granted on an ad hoc basis by the government.

Participants may retire without reduction in the amount of pension at any time after age 55 if ten years of pensionable service have been accumulated, or after age 65 with five years of pensionable service. The normal pensionable age is 65 years, however, there is no mandatory retirement age.

The plan also makes provision for those members who die prior to retirement and have accumulated at least 10 years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit. The spouse of a member with less than 10 years of pensionable service must also accept a lump sum benefit.

Membership Statistics

At March 31, 1987, there were five employers participating in the plan, 4,266 active contributors, 575 pensioners, and 173 former participants who had either not made a choice regarding their plan status or were awaiting a deferred pension. The average pension in payment was $1,926 per month to a former member and $1,244 per month to a surviving spouse.

Pension Fund

The Pension Fund was established in 1981 by a transfer of $1,100 million from the General Revenue Fund. The Fund will help meet the costs of pension benefits being earned under the six plans administered and guaranteed by the province.

At March 31, 1987, the Pension Fund had assets of $3,502 million comprising a diversified portfolio of government and corporate bonds, money market securities, mortgages and equities.

For all plans in 1986-1987 the contributions made by employers and employees exceeded the benefits paid by $138 million. In addition, the Fund earned $349 million in income, resulting in a net increase in fund equity of $487 million.

For the Universities Academic Pension Plan, 1986-1987 contributions of $30 million compared to disbursements of $14 million for a net transfer to the Fund of $16 million.

Actuarial Valuation

Independent actuarial valuations of the six government administered pension plans were conducted as at March 31, 1985.

The estimated accrued liabilities of all six plans were $6,443 million. These liabilities compare to Pension Fund assets of $2,570 million leaving an unfunded liability of $3,873 million as at March 31, 1985. The estimated accrued liabilities attributable to the Universities Academic Pension Plan were $781 million as at March 31, 1985.

The normal actuarial cost of the Universities Academic Pension Plan as a percentage of payroll was 24.5% using the attained age actuarial cost method. Using the unit credit actuarial cost method, the cost was 24.1% of payroll. These costs, based on the 1985 actuarial valuation, compare to combined employee and employer statutory contributions of approximately 13% of salaries. The valuations assume ad hoc COLA will be granted annually equal to 75% of inflation.

The Board received independent actuarial advice in July 1987 that the actuarial assumptions and method, when used in combination, are overly conservative when used to establish the current service cost required to fund benefits.